PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pastures Revolving Fund, which comprise the statement of financial position as at March 31, 2014 and the statement of operations and accumulated operating (deficit) surplus, and statement of changes in accumulated net recovery (expenditure) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pastures Revolving Fund as at March 31, 2014, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 28, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

1500 Chateau Tower · 1500 Royal Street · Regina, Saskatchewan · S4P 3X2
t 306.787.6398 · f 306.787.6383 · e info@auditor.sk.ca
www.auditor.sk.ca

PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
Financial Assets		
Accounts receivable	$ 279,466	$ 388,973
Liabilities		
Accounts payable	3,411,914	1,702,622
Unearned revenue	943,767	927,217
Accumulated net expenditure (Statement 3)	1,400,863	1,726,381
	5,756,544	4,356,220
Net Debt	(5,477,078)	(3,967,247)
Non-Financial Assets		
Inventory	326,878	257,278
Tangible capital assets (Note 6)	5,141,158	4,532,506
	5,468,036	4,789,784
Accumulated operating (deficit) surplus (Statement 2)	$ (9,042)	$ 822,537

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING (DEFICIT) SURPLUS
For the Year Ended March 31

	Budget 2013-14 (Note 7)	Actual 2014	Actual 2013
REVENUES			
Grazing	$9,298,599	$8,622,391	$6,977,853
Petroleum and gas leases	1,900,069	2,022,422	2,041,631
Bull wintering	113,080	133,224	133,960
House rent	28,070	28,398	27,816
Seismic and easement	55,182	16,720	120,269
Hay Sales	-	7,520	5,286
Gain on disposal of tangible capital assets	-	5,863	38,103
Other	13,000	17,707	23,818
	11,408,000	10,854,245	9,368,736
EXPENSES			
Salaries	3,801,132	3,792,760	3,699,466
Repairs and improvements	2,137,153	1,486,615	1,034,360
Grants in lieu of taxes	899,458	968,353	862,490
Seed and forage	203,782	191,614	195,915
Rent of equipment, horses and other	296,530	280,138	265,454
Amortization	549,720	565,085	508,925
Travel	375,241	461,659	398,006
Small tools, equipment and supplies	340,064	365,240	500,767
Computer services	187,000	142,853	130,118
Utilities	144,450	134,840	154,985
Veterinary fees and supplies	69,100	73,070	79,045
Telephone and communications	82,480	63,359	68,298
Bad debt expense	-	70,420	(26,554)
Freight and postage	18,500	22,186	20,986
Advertising and printing	6,650	854	4,542
Other	66,448	66,778	49,396
	9,177,708	8,685,824	7,946,199
Net income (loss)	$2,230,292	2,168,421	1,422,537
Accumulated operating surplus, beginning of year		822,537	907,822
Transfer to General Revenue Fund (Note 5)		(3,000,000)	(1,507,822)
Accumulated operating (deficit) surplus, end of year - to Statement 1		$ (9,042)	$ 822,537

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET RECOVERY (EXPENDITURE)
For the Year Ended March 31

	Budget 2013-14 (Note 7)	Actual 2014	Actual 2013
Financing required for (provided by) operating activities:			
Net (income) loss	$ 2,230,292	$ 2,168,421	$ 1,422,537
Items not affecting cash:			
Amortization	549,720	565,085	508,925
Loss (gain) on disposal of tangible capital assets	-	(5,863)	(38,103)
Net (increase) decrease in working capital items related to operations (Note 10)	-	1,765,751	1,226,436
	2,780,012	4,493,394	3,119,795
Financing required for (provided by) capital activities:			
Purchase of tangible capital assets	(1,191,000)	(1,173,739)	(752,542)
Proceeds from sale of tangible capital assets	-	5,863	55,420
	(1,191,000)	(1,167,876)	(697,122)
Financing required for (provided by) financing activities:			
Transfer to General Revenue Fund (Note 5)	-	(3,000,000)	(1,507,822)
Net (decrease) increase in financing requirements	1,589,012	325,518	914,851
Accumulated net expenditure, beginning of year	(1,726,381)	(1,726,381)	(2,641,232)
Accumulated net expenditure, end of year – to Statement 1	$ (137,369)	$ (1,400,863)	$ (1,726,381)

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Management's Responsibility

The Revolving Fund's management is responsible for the reliability and integrity of these financial statements. In discharging its responsibility for the reliability and integrity of these financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

3. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Recovery (Expenditure) and Note 11.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Recovery (Expenditure)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net recovery (expenditure) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus. Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	5%
Buildings	5%
Equipment and Vehicles	10%
Office Equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 100% of the above rates in the year of acquisition and are not amortized in the year of disposal.

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

f) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue that will be earned in future periods and overpayments from patrons that will be applied to future fees. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Tangible Capital Asset Thresholds

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	$ 5,000
Vehicles	5,000
Equipment	1,000

Office equipment	1,000
Land improvements	5,000

4. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

5. Accumulated Operating (Deficit) Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

The Revolving Fund paid excess surplus of $3,000,000 to the General Revenue Fund in 2013-14. At March 31, 2014 the Revolving Fund had an accumulated operating deficit of $9,042.

6. Tangible Capital Assets (TCA)

	March 31, 2014						March 31, 2013
	Buildings	Land	Land Improvements	Office Equipment	Equipment & Vehicles	Total	Total
Opening Net Book Value of TCA	$413,298	$19,000	$2,835,525	$ -	$1,264,683	$4,532,506	$4,306,206
Opening Cost	$734,760	$19,000	$4,997,074	$43,663	$3,511,658	$9,306,155	$8,674,337
Additions During the Year	-	-	781,465	-	392,274	1,173,739	752,542
Disposals	-	-	-	-	(2)	(2)	(120,724)
Closing Cost	$734,760	$19,000	$5,778,539	$43,663	$3,903,930	$10,479,892	$9,306,155
Opening Accumulated Amortization	$321,462	$ -	$2,161,549	$43,663	$2,246,975	$4,773,649	$4,368,131
Annual Amortization	35,921	-	240,700	-	288,464	565,085	508,925
Disposals	-	-	-	-	-	-	(103,407)
Closing Accumulated Amortization	$357,383	$ -	$2,402,249	$43,663	$2,535,439	$5,338,734	$4,773,649
Ending Net Book Value of TCA	$377,377	$19,000	$3,376,290	$ -	$1,368,491	$5,141,158	$4,532,506

7. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2014	2013
Financial statement category:		
Expenses	$ 364,700	$ 465,240
Accounts payable	48,222	74,266

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $381,020 at March 31, 2014 with an allowance for doubtful accounts of $135,003. Some of the receivables were received shortly after year end reducing the credit risk.

10. Net Change in Working Capital Items Related to Operations

	2014	2013
Working capital changes:		
(Increase) decrease in accounts receivable	$ 109,508	$ (93,266)
(Increase) decrease in inventories held for consumption	(69,600)	(45,500)
Increase (decrease) in accounts payable	1,709,293	1,322,750
Increase (decrease) in unearned revenue	16,550	42,452
Total	$ 1,765,751	$ 1,226,436

11. Amount Reported in Public Accounts

The accumulated net expenditure of the Revolving Fund reported in the Public Accounts is the accumulated net expenditure of the Revolving Fund adjusted for the following difference.

	2014	2013
Accumulated net expenditure	$ 1,400,863	$ 1,726,381
Adjustment to increase accumulated net expenditure in Public Accounts	64,216	64,216
Accumulated net expenditure reported in Public Accounts	$ 1,465,079	$ 1,790,597